

# Memorandum

Owner: City of Dexter  
Project: New Fire Station

Project No: 19-159  
Reference Code: R-100

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Distribution: Courtney Nicholls, City Manager

Date: July 22,, 2020

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## Budget / Escalation Review and Projection

1. The project was last budgeted in December 2019 not including the Sheriff Station component at \$7,380,000.
2. The question is what should be factored into the cost of the project for escalation based on the project not moving forward with a construction start in the summer of 2020.
3. Straight escalation is only one factor that is currently affecting projecting out construction costs. In recent years escalation has ranged 3-5% in general with some isolated bid categories that are unusually higher and lower.
4. We saw in the immediate construction return in May 2020, a very competitive market with contractors looking to pick-up work.
5. Trade and material availability is now becoming an issue for some contractors and who knows where this may go if there are any other setbacks in business's opening and sustaining productivity.
6. We do think the longer COVID issues persist, the greater affect we will see on construction costs.
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8. Currently there are some real direct costs that COVID has brought on; labor availability, lost labor production for enhanced safety precautions = schedule increases which adds costs, material lead times have increased, and some materials are not available which require reselecting products that may be higher in cost than the normal commodity like products, etc. These are generally beginning to offset any competitive market conditions that we have seen recently and see right now. If we lose a competitive market, we will most likely see costs rising at a greater pace.
9. We recommend optimistically to escalate the project cost 4% (\$295,000) considering a late summer 2021 construction start.
10. New projected project cost not including the Sheriff component is \$7,675,000